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**DeNUCCI SAYS LOWELL SPECIAL NEEDS SCHOOL
MISUSED \$1.7 MILLION IN STATE MONEY**

State Auditor Joe DeNucci reported today that a Lowell school for special education students spent more than \$1.7 million in state money on a wide variety of questionable and unallowable expenses, ranging from lucrative bonuses and personal loans to Red Sox season tickets.

DeNucci's 117-page audit of the Riverside School, operated by New England Human Services Inc., found that many of these expenses appeared to benefit the executive director and his family rather than the institution's special needs students. The Riverside School is a non-profit 58-bed facility for boys between the ages of seven and 16. Over 70 percent of its funding comes from state and local government sources.

DeNucci's audit, which covered a 33-month period, included these findings:

- The executive director wrote himself weekly agency checks averaging \$3,200 which he claimed he used to purchase items for Riverside's programs, but \$232,040 of these expenses that were charged to the state during the audit period were inadequately documented. At least \$26,717 of these expenses appeared to be non-program-related, including food purchases (lobster, steaks, beer, wine) from restaurants and grocery stores near the Lynnfield residence of the executive director and his wife. Also, there was no documentation to support that \$15,898 of these expenses were incurred.
- At least \$264,468 in inadequately documented expenses were charged to Riverside's state contracts. These included season tickets to Red Sox games for three years at a cost of \$12,465 for which no records were kept as to who used the tickets.
- Riverside spent at least \$430,000 in unallowable excess costs to rent space from a related company owned by the executive director. From these expenses, the state was charged for almost \$260,000 in capital improvements to these properties.
- Riverside spent \$348,623 in state funds on life insurance policies for the executive director and a former business associate who had no connection with the school.

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- Riverside charged the state for \$181,901 in unallowable employee bonuses and fringe benefits during the audit period.
- The executive director received 28 percent, or \$46,917, of what Riverside called a “profit-sharing” program, actually a retirement program for staff members. This disproportionate amount was more than 10 times what the average staff person got.
- The executive director’s wife received \$91,035 in state-funded compensation for serving as the school’s bookkeeper despite questionable qualifications as well as her limited duties. During this same period, Riverside paid \$131,294 to consultants for accounting and auditing-related duties.
- A total of \$50,472 in inadequately documented personal credit card expenses was charged to the state. These non-program-related expenses included sports memorabilia, snowboards, skis and gifts, some of which were purchased in Florida, Utah, New Hampshire and Maine.
- Riverside charged the state for \$51,556 in questionable and unallowable vehicle expenses, including \$31,619 for a vehicle used by the executive director and a Jeep Wrangler for which Riverside was unable to document the business use.
- The executive director used \$103,805 in state funds to give himself three personal loans with no written agreements as to the terms and condition of repayment.
- Riverside paid 10 consultants a total of \$118,681 without issuing the appropriate federal tax reporting forms to these individuals.

After the completion of the audit work, New England Human Services sold Riverside’s operating assets as well as its funding agreements, equipment leases and the name “Riverside School” to NFI Massachusetts, Inc. for \$300,000. In addition, the executive director received a five-year consulting contract for \$125,000 a year with an option to renew, and NFI agreed to a minimum five-year lease with the related company owned by Riverside’s executive director at a total cost of \$1,575,000.

DeNucci said the state Department of Social Services, the lead state funding agency, should initiate steps to recover as much of the \$1.7 million that was misspent by Riverside as it deems appropriate.

“The abuses disclosed in my audit were an outrageous misuse of public funds,” said DeNucci. “It is unfortunate that the system has been taken advantage of at the expense of special education children. The Commonwealth should make every effort to obtain restitution.”